

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Stockbridge</b>	County <b>Ingham</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>5/1/05</b>	Date Accountant Report Submitted to State: <b>8/11/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Willis &amp; Jurasek, P.C.</b>			
Street Address <b>2545 Spring Arbor Road</b>	City <b>Jackson</b>	State <b>MI</b>	ZIP <b>49203</b>
Accountant Signature <i>Willis &amp; Jurasek, P.C.</i>		Date <b>8/11/05</b>	

# **Village of Stockbridge**

Financial Statements  
And Independent Auditors' Report

Year Ended February 28, 2005

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## **Independent Auditors' Report**

Members of the Village Council  
Village of Stockbridge  
Stockbridge, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

The Village of Stockbridge has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on page 26 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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### **WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

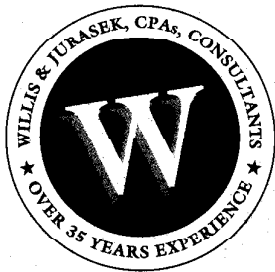
In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2005, on our consideration of the Village's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Stockbridge's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Village of Stockbridge. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

May 1, 2005



**Report Based on an Audit of Financial Statements  
Performed in Accordance With  
Government Auditing Standards**

Members of the Village Council  
Village of Stockbridge  
Stockbridge, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of and for the year ended February 28, 2005, which collectively comprise the Village of Stockbridge's basic financial statements and have issued our report thereon dated May 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Stockbridge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Stockbridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council and state agencies, and is not intended to be and should not be used by anyone other than those specified.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

May 1, 2005

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**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

**Village of Stockbridge**  
**Statement of Net Assets**  
February 28, 2005

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
<b>Assets:</b>				
Cash and investments	\$ 519,409	\$ 277,176	\$ 796,585	\$ 207,705
Receivables	25,467	1,960	27,427	-
Internal balances	40,000	(40,000)	-	-
Capital assets, net				
Not being depreciated	304,778	1,974,820	2,279,598	-
Being depreciated	<u>1,198,382</u>	<u>2,496,425</u>	<u>3,694,807</u>	-
Total assets	<u>2,088,030</u>	<u>4,710,381</u>	<u>6,798,417</u>	<u>207,705</u>
<b>Liabilities:</b>				
Accounts payable	40,554	85,074	125,628	-
Accrued expenses	5,008	1,639	6,647	-
Accrued interest	2,163	23,887	26,050	-
Deferred revenue	640	-	640	-
Noncurrent liabilities:				
Due within one year	190,000	165,000	355,000	-
Due in more than one year	<u>20,000</u>	<u>1,810,312</u>	<u>1,830,312</u>	-
Total liabilities	<u>258,365</u>	<u>2,085,912</u>	<u>2,344,277</u>	-
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	1,290,997	2,472,046	3,763,043	-
Unrestricted	<u>538,674</u>	<u>152,423</u>	<u>691,097</u>	<u>207,705</u>
Total net assets	<u>\$ 1,829,671</u>	<u>\$ 2,624,469</u>	<u>4,454,140</u>	<u>\$ 207,705</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Statement of Activities  
Year Ended February 28, 2005

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue</u>
	<u>Expenses</u>	<u>Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 72,363	\$ -	\$ -	\$ (72,363)
General government	223,694	40,581	-	(183,113)
Public safety	70,460	-	-	(70,460)
Public works	220,426	36,609	81,195	(102,622)
Highways and streets	-	-	-	-
Culture and recreation	9,321	-	-	(9,321)
Other	43,868	-	-	(43,868)
Interest on long-term debt	13,366	-	-	(13,366)
Unallocated depreciation	<u>7,064</u>	<u>-</u>	<u>-</u>	<u>(7,064)</u>
Total governmental activities	<u>660,562</u>	<u>77,190</u>	<u>81,195</u>	<u>502,177</u>
Business-type activities:				
Water	188,215	140,591	-	(47,624)
Sewer	<u>450,082</u>	<u>343,451</u>	<u>-</u>	<u>(106,631)</u>
Total business-type activities	<u>638,297</u>	<u>484,042</u>	<u>-</u>	<u>(154,255)</u>
Total primary government	<u>\$ 1,298,859</u>	<u>\$ 561,232</u>	<u>\$ 81,195</u>	<u>\$ (656,432)</u>
<b>Component units</b>				
Downtown Development Authority	<u>\$ 325,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(325,986)</u>

continued..

See Notes to Financial Statements.



**Village of Stockbridge,**  
Statement of Activities (Continued)  
Year Ended February 28, 2005

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
<b>Changes in Net Assets</b>				
Net (expense) revenue	\$ (502,177)	\$ (154,255)	\$ (656,432)	\$ (325,986)
General revenues:				
Property taxes	291,226	-	291,226	334,607
Unrestricted grants and contributions	122,679	-	122,679	-
Interest and investment earnings	11,051	1,024	12,075	1,403
Other revenues	116,592	5,832	122,424	57,650
Transfers - internal activities	<u>34,120</u>	<u>25,000</u>	<u>59,120</u>	<u>(59,120)</u>
Total general revenues, contributions and transfers	<u>575,668</u>	<u>31,856</u>	<u>607,524</u>	<u>334,540</u>
<b>Changes in Net Assets</b>	73,491	(122,399)	(48,908)	8,554
<b>Net Assets - Beginning of Year</b>	<u>1,756,180</u>	<u>2,746,868</u>	<u>4,503,048</u>	<u>199,151</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,829,671</u>	<u>\$ 2,624,469</u>	<u>\$ 4,454,140</u>	<u>\$ 207,705</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Balance Sheet  
Governmental Funds  
February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash	\$ 200,461	\$ 120,376	\$ 27,454	\$ 117,026	\$ 465,317
Receivables:					
Accounts receivable	1,947	-	-	-	1,947
Due from other governmental units	15,988	5,369	2,163	-	23,520
Due from other funds	40,000	5,630	7,470	-	53,100
Total assets	<u>\$ 258,396</u>	<u>\$ 131,375</u>	<u>\$ 37,087</u>	<u>\$ 117,026</u>	<u>\$ 543,884</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts payable	\$ 21,477	\$ -	\$ 8,764	\$ 8,764	\$ 39,005
Due to other funds	13,100	-	-	-	13,100
Accrued expenditures	4,979	-	29	-	5,008
Deferred revenue	-	-	-	640	640
Total liabilities	<u>39,556</u>	<u>-</u>	<u>8,793</u>	<u>9,404</u>	<u>57,753</u>
Fund Balances:					
Reserved:					
Perpetual care and endowment	-	-	-	106,023	106,023
Unreserved;undesignated	218,840	131,375	28,294	-	378,509
Unreserved;undesignated- reported in nonmajor:					
Special revenue funds	-	-	-	1,599	1,599
Total fund balances	<u>218,840</u>	<u>131,375</u>	<u>28,294</u>	<u>107,622</u>	<u>486,131</u>
Total liabilities and fund balances	<u>\$ 258,396</u>	<u>\$ 131,375</u>	<u>\$ 37,087</u>	<u>\$ 117,026</u>	<u>\$ 543,884</u>

See Notes to Financial Statements.

# **Village of Stockbridge**

## **Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets February 28, 2004**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>486,131</b>
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

**\$ 2,292,255**

Accumulated depreciation is

**(789,095)**

**1,503,160**

Internal service funds are used by management to charge the costs of certain  
equipment usage and administrative costs to individual governmental funds.  
The assets and liabilities of the internal service funds are included in governmental  
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

**52,543**

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Bonds payable

**(210,000)**

Accrued interest

**(2,163)**

**Total Net Assets - Governmental Activities**

**\$ 1,829,671**

See Notes to Financial Statements.

**Village of Stockbridge**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Taxes	\$ 249,038	\$ -	\$ 42,188	\$ -	\$ 291,226
Licenses and permits	7,519	-	-	-	7,519
Intergovernmental	122,679	57,890	23,305	-	203,874
Charges for services	40,092	-	-	29,579	69,671
Other	82,966	633	32,509	5,804	121,912
Total revenues	<u>502,294</u>	<u>58,523</u>	<u>98,002</u>	<u>35,383</u>	<u>694,202</u>
<b>Expenditures:</b>					
Legislative	72,363	-	-	-	72,363
General government	183,232	-	-	35,252	218,484
Public safety	69,747	-	-	-	69,747
Public works	53,674	34,538	107,165	-	195,377
Culture and recreation	9,321	-	-	-	9,321
Debt service:					
Principal payments	-	-	-	20,000	20,000
Interest and fiscal charges	-	-	-	13,578	13,578
Other	43,326	-	-	542	43,868
Total expenditures	<u>431,663</u>	<u>34,538</u>	<u>107,165</u>	<u>69,372</u>	<u>642,738</u>
<b>Revenues Over (Under) Expenditures</b>	<u>70,631</u>	<u>23,985</u>	<u>(9,163)</u>	<u>(33,989)</u>	<u>51,464</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	5,630	7,470	38,907	52,007
Operating transfers out	(13,100)	-	-	(4,787)	(17,887)
Total other financing sources (uses)	<u>(13,100)</u>	<u>5,630</u>	<u>7,470</u>	<u>34,120</u>	<u>34,120</u>
<b>Net Changes in Fund Balances</b>	57,531	29,615	(1,693)	131	85,584
<b>Fund Balances - Beginning of Year</b>	<u>161,309</u>	<u>101,760</u>	<u>29,987</u>	<u>107,491</u>	<u>400,547</u>
<b>Fund Balances - End of Year</b>	<u>\$ 218,840</u>	<u>\$ 131,375</u>	<u>\$ 28,294</u>	<u>\$ 107,622</u>	<u>\$ 486,131</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended February 28, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>85,584</b>
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Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (38,037)	
Capital outlay	<u>-</u>	(38,037)

Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Repayment to bond holders		20,000
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An internal service fund is used by management to charge the costs of  
certain equipment usage to individual governmental funds. The net revenue  
(expense) of the fund attributable to those funds is reported with  
governmental activities.

Net operating income from governmental activities in the internal service fund		5,731
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Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and therefore are not reported as expenditures  
in the funds.

Decrease in accrued interest payable on bonds		<u>213</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>73,491</u></b>
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**Village of Stockbridge,**  
Statement of Net Assets  
Proprietary Funds  
February 28, 2005

	<b>Business type Activities</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			<b>Activities</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Assets</b>				
Current assets:				
Cash	\$ 51,811	\$ 112,218	\$ 164,029	\$ 54,092
Accounts receivable	549	1,411	1,960	-
Total current assets	<u>52,360</u>	<u>113,629</u>	<u>165,989</u>	<u>54,092</u>
Restricted assets:				
Cash	<u>32,211</u>	<u>80,936</u>	<u>113,147</u>	<u>-</u>
Property, plant and equipment:				
Land	-	79,111	79,111	-
Construction in progress	-	1,895,709	1,895,709	-
Main and accessories	-	2,777,305	2,777,305	-
Machinery and equipment	-	18,686	18,686	232,154
Improvements	-	308,105	308,105	-
Water system	876,645	-	876,645	-
Less accumulated depreciation	<u>(323,684)</u>	<u>(1,160,632)</u>	<u>(1,484,316)</u>	<u>(223,032)</u>
Total property, plant and equipment	<u>552,961</u>	<u>3,918,284</u>	<u>4,471,245</u>	<u>9,122</u>
Total assets	<u>637,532</u>	<u>4,112,849</u>	<u>4,750,381</u>	<u>63,214</u>
<b>Liabilities:</b>				
Current liabilities (payable from current assets):				
Accounts payable	33,423	51,651	85,074	1,549
Accrued expenses	980	659	1,639	-
Current portion of bonds payable	35,000	130,000	165,000	-
Accrued interest	3,306	20,581	23,887	-
Due to other funds	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>112,709</u>	<u>202,891</u>	<u>315,600</u>	<u>1,549</u>
Noncurrent liabilities:				
SRF loan payable	-	1,670,312	1,670,312	-
Bonds payable	<u>75,000</u>	<u>65,000</u>	<u>140,000</u>	<u>-</u>
Total noncurrent liabilities	<u>75,000</u>	<u>1,735,312</u>	<u>1,810,312</u>	<u>-</u>
Total liabilities	<u>187,709</u>	<u>1,938,203</u>	<u>2,125,912</u>	<u>1,549</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	439,655	2,032,391	2,472,046	9,122
Unrestricted	<u>10,168</u>	<u>142,255</u>	<u>152,423</u>	<u>52,543</u>
Total net assets	<u>\$ 449,823</u>	<u>\$ 2,174,646</u>	<u>\$ 2,624,469</u>	<u>\$ 61,665</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 140,589	\$ 343,453	\$ 484,042	\$ -
Rental income	-	-	-	38,850
Other	<u>5,832</u>	<u>-</u>	<u>5,832</u>	<u>-</u>
Total operating revenues	<u>146,421</u>	<u>343,453</u>	<u>489,874</u>	<u>38,850</u>
<b>Operating Expenses:</b>				
Administration	90,176	46,106	136,282	33,119
Operation and maintenance	-	270,193	270,193	-
Production	10,234	-	10,234	-
Water treatment	19,700	-	19,700	-
Distribution	<u>61,672</u>	<u>-</u>	<u>61,672</u>	<u>-</u>
Total operating expenses	<u>181,782</u>	<u>316,299</u>	<u>498,081</u>	<u>33,119</u>
<b>Operating Income (Loss)</b>	<u>(35,361)</u>	<u>27,154</u>	<u>(8,207)</u>	<u>5,731</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	2	1,022	1,024	-
Interest expense	<u>(6,433)</u>	<u>(133,783)</u>	<u>(140,216)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(6,431)</u>	<u>(132,761)</u>	<u>(139,192)</u>	<u>-</u>
<b>Net Income (Loss) Before Transfers</b>	<u>(41,792)</u>	<u>(105,607)</u>	<u>(147,399)</u>	<u>5,731</u>
<b>Transfers in from Other Funds</b>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
<b>Net Income (Loss)</b>	<u>(16,792)</u>	<u>(105,607)</u>	<u>(122,399)</u>	<u>5,731</u>
<b>Net Assets - Beginning of Year</b>	<u>466,615</u>	<u>2,280,253</u>	<u>2,746,868</u>	<u>55,934</u>
<b>Net Assets - End of Year</b>	<u>\$ 449,823</u>	<u>\$ 2,174,646</u>	<u>\$ 2,624,469</u>	<u>\$ 61,665</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended February 28, 2005

	<b>Business- Type Activities</b>		<b>Governmental Activities -</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Internal Service Funds</b>
<b>Cash Flows From Operating Activities:</b>			
Operating income (loss)	\$ (35,361)	\$ 27,154	\$ 5,731
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	16,664	69,639	10,418
Change in accounts receivable	627	1,497	-
Change in due from other funds	5,000	-	-
Change in accounts payable	(18,140)	8,348	1,013
Change in accrued expenses	(519)	18,191	-
Change in due to other funds	-	(5,000)	-
Net cash provided by (used in) operating activities	<u>(31,729)</u>	<u>119,829</u>	<u>17,162</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfers to other funds	<u>25,000</u>	<u>-</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Bond payments on capital debt	(35,000)	(135,000)	-
Interest on capital debt	(6,433)	(133,783)	-
Proceeds from issuance of long-term debt	-	325,589	-
Construction of capital assets	-	(330,986)	-
Net cash used by capital and related financing activities	<u>(41,433)</u>	<u>(274,180)</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>			
Interest income received	<u>2</u>	<u>1,022</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(48,160)</u>	<u>(153,329)</u>	<u>17,162</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>132,182</u>	<u>346,483</u>	<u>36,930</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 84,022</u>	<u>\$ 193,154</u>	<u>\$ 54,092</u>

See Notes to Financial Statements.



**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

**Description of Village Operations**

The Village of Stockbridge, Michigan, was incorporated under the provisions of Act of 1895, as amended (General Law Village). The Village operates under a Council form of government and provides various services to its residents in many areas including law enforcement, administration of justice, community enrichment and development and human services. The criteria established by Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

**Adoption of New Accounting Standards**

During the year ended February 28, 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

The following table shows beginning net assets restated for the effects of implementation of GASB No. 34:

Fund balance at February 29, 2004 – Governmental Funds (restated)	\$ 456,481
Long-term liabilities (restated)	(230,000)
Accrued interest	(2,375)
Net capital assets (restated)	<u>1,532,074</u>
Restated net assets – March 1, 2004	<u>\$1,756,180</u>

**Reporting Entity**

Generally accepted accounting principles require the reporting entity to include Village of Stockbridge (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

**Discretely Presented Component Units**

Downtown Development Authority - The Downtown Development Authority (DDA) was formed to enhance the Village's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

**Local Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

The government reports the following major proprietary funds:

**Water Fund** – The Water Fund accounts for the activities of the government's water production, purification, and distribution systems.

**Sewer Fund** – The Sewer Fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

**Permanent Funds** – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

**Internal Service Funds** – The internal service funds account for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

**Additional Financial Statement Presentation Information** - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Village had no investments at February 28, 2005.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchases agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Certain proceeds of the enterprise funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u><b>Assets</b></u>	<u><b>Years</b></u>
Buildings and improvements	50
Vehicles	5 - 12
Equipment	5 - 20
Infrastructure	15 - 50
Plant and systems	10 - 50

**Compensated Absences** – It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. Sick days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources. The Village has determined that the amount of accumulated sick days is immaterial and is not recorded in the government-wide financial statements.

**Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2004 had a taxable value of approximately \$29,000,000 (not including properties subject to Industrial Facilities Tax exemption), representing 50% of estimated current market value. The government's general operating tax rate for fiscal year 2004-05 was 10.000 mills.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the Village of Stockbridge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

**2. Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue funds budget is presented to Village Council in January, at which time hearings on the budget are scheduled. A Public Hearing is held in February and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation resolution implementing it, is then adopted in February.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

**Village of Stockbridge**  
Notes to Financial Statements

**2. Stewardship, compliance and Accountability (Continued)**

- 7) The Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the Village Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each funds' fiscal year.

**3. Cash and Cash Equivalents**

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government	Component Unit	Total
Cash and investments	\$ <u>519,409</u>	\$ <u>277,176</u>	\$ <u>796,585</u>	\$ <u>207,705</u>	\$ <u>1,004,290</u>

The breakdown between deposits and investments for the Village are as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$1,004,190
Petty cash and cash on hand	<u>100</u>
Total	\$ <u>1,004,290</u>

At year-end, the carrying amount of the Village's deposits was \$1,004,190 and the bank balance was \$986,839. Of the balances, \$200,206 was covered by federal depository insurance in the Village's name. The remaining balance is uninsured and uncollateralized.

**4. Receivables**

Receivables of the governmental activities of the primary government at year ended February 28, 2005, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 23,520
Other	<u>1,947</u>
	\$ <u>25,467</u>

**Village of Stockbridge**  
Notes to Financial Statements

**5. Capital Assets**

Capital assets activity for the year ended February 28, 2005 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 304,778	\$ -	\$ -	\$ 304,778
Total capital assets not being depreciated	<u>304,778</u>	<u>-</u>	<u>-</u>	<u>304,778</u>
Capital assets being depreciated:				
Buildings and improvements	431,467	-	-	431,467
Equipment and vehicles	303,551	-	-	303,551
Infrastructure	<u>1,252,459</u>	<u>-</u>	<u>-</u>	<u>1,252,459</u>
Total capital assets being depreciated	<u>1,987,477</u>	<u>-</u>	<u>-</u>	<u>1,987,477</u>
Accumulated depreciation:				
Buildings and improvements	127,201	8,364	-	135,565
Equipment and vehicles	269,014	15,041	-	284,055
Infrastructure	<u>344,426</u>	<u>25,049</u>	<u>-</u>	<u>369,475</u>
Total accumulated depreciation	<u>740,641</u>	<u>48,454</u>	<u>-</u>	<u>789,095</u>
Total capital assets being depreciated - net	<u>1,246,836</u>	<u>(48,454)</u>	<u>-</u>	<u>1,198,382</u>
Governmental activities capital assets - net	<u>\$1,551,614</u>	<u>\$ (48,454)</u>	<u>\$ -</u>	<u>\$ 1,503,160</u>
<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 79,111	\$ -	-	\$ 79,111
Construction in progress	<u>1,564,723</u>	<u>330,986</u>	<u>-</u>	<u>1,895,709</u>
Total capital assets not being depreciated	<u>1,643,834</u>	<u>330,986</u>	<u>-</u>	<u>1,974,820</u>
Capital assets being depreciated:				
Systems and improvements	3,962,055	-	-	3,962,055
Machinery and equipment	<u>18,686</u>	<u>-</u>	<u>-</u>	<u>18,686</u>
Total capital assets being depreciated	<u>3,980,741</u>	<u>-</u>	<u>-</u>	<u>3,980,741</u>
Accumulated depreciation	<u>1,398,013</u>	<u>86,303</u>	<u>-</u>	<u>1,484,316</u>
Total capital assets being depreciated - net	<u>2,582,728</u>	<u>86,303</u>	<u>-</u>	<u>2,496,425</u>
Business-type activities capital assets - net	<u>\$4,226,562</u>	<u>\$ 244,683</u>	<u>\$ -</u>	<u>\$4,471,245</u>



**Village of Stockbridge**  
Notes to Financial Statements

**5. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 5,210
Public Safety	713
Public Works	25,049
Unallocated	7,064
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>10,418</u>
Total depreciation expense – governmental activities	<u>\$ 48,454</u>
 <b>Business-Type Activities:</b>	
Sewer	\$ 69,639
Water	<u>16,664</u>
Total depreciation expense – business-type activities	<u>\$ 86,303</u>

**6 Interfund Receivables, Payables and Transfers**

The Village reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u><b>Receivable</b></u>	<u><b>Payable</b></u>
<b>Due from/to other funds:</b>		
General Fund	\$ 40,000	\$ -
Water Fund	<u>-</u>	<u>40,000</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>
	<u><b>Transfers In</b></u>	<u><b>Transfers Out</b></u>
<b>Transfers:</b>		
Cemetery	\$ 4,787	\$ -
General Fund	-	13,100
Major Street Fund	5,630	-
Local Street Fund	7,470	-
Debt Fund	34,120	-
Water Fund	25,000	-
Cemetery Perpetual Care Fund	-	4,787
Component Unit (DDA)	<u>-</u>	<u>59,120</u>
	<u>\$ 77,007</u>	<u>\$ 77,007</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Village of Stockbridge**  
Notes to Financial Statements

**7. Long-Term Debt**

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ <u>230,000</u>	\$ <u>-</u>	\$ <u>20,000</u>	\$ <u>210,000</u>	\$ <u>20,000</u>

The following is a summary of the general obligation debt outstanding of the Village as of February 28, 2005:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Obligation Bonds – Downtown Development Authority Limited Tax General Obligation Downtown Development Bonds, Series 1992,	6.154 -6.250	2012	\$ <u>210,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 20,000	\$ 12,372	\$ 32,372
2007	20,000	11,158	31,158
2008	25,000	9,778	34,778
2009	25,000	8,241	33,241
2010	25,000	6,698	31,698
2011-2015	<u>95,000</u>	<u>9,211</u>	<u>104,211</u>
Total	\$ <u>210,000</u>	\$ <u>57,458</u>	\$ <u>267,458</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds	\$ <u>1,819,723</u>	\$ <u>325,589</u>	\$ <u>(170,000)</u>	\$ <u>1,975,312</u>	\$ <u>165,000</u>

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1989 MI Municipal Revenue Refunding	7.50 - 7.55	2013	\$ 80,000
1989 MI Municipal Revenue Refunding	7.50 - 7.50	2008	90,000
1990 Revenue Bonds	7.05 - 7.05	2005	25,000
MI Revolving Loan Fund Program	1.25	2023	<u>1,780,312</u>
			\$ <u>1,975,312</u>

**Village of Stockbridge**  
Notes to Financial Statements

**7. Long-Term Debt (Continued)**

Annual debt service requirements to maturity on the above business-type bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 165,000	\$ 58,885	\$ 223,885
2007	150,000	42,406	192,406
2008	145,000	37,686	182,686
2009	150,000	41,560	191,560
2010	135,000	36,310	171,310
2011-2014	695,000	122,878	817,878
2015-2019	745,000	94,625	839,625
2020-2023	<u>670,000</u>	<u>33,500</u>	<u>703,500</u>
Total	<u>\$2,855,000</u>	<u>\$ 467,850</u>	<u>\$3,322,850</u>

The difference between outstanding balance and annual debt service balance is due to the Michigan Revolving Loan Fund Program, which is an ongoing project for the Village. The entire approved amount is \$2,770,000. The Village has draws on the Loan of \$1,780,312 as of February 28, 2005. The above interest amounts are estimates based on the amount for the entire balance when complete of \$2,770,000.

**8. Retirement System**

**Description of Plan and Plan Assets**

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by the Village's personnel policy and requires a contribution from the employees of 5% of gross wages. The Village is required to contribute at an actuarially determined rate.

**Annual Pension Cost**

For the year ended February 28, 2005, the Village's annual pension cost of \$18,647 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age normal cost method and the employer contribution amounts are developed as a level percentage of payroll. Significant actuarial assumptions used include; 8% investment rate of return and projected salary increases of 4.5% per year. Both were determined using techniques that smooth the effects of short-term volatility over a four year period. The unfounded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

**Village of Stockbridge**  
Notes to Financial Statements

**8. Retirement System (Continued)**

Three-Year Trend Information as of December 31 follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Annual Pension Cost	\$ 24,651	\$ 26,926	\$ 28,352
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	108,470	139,027	162,857
Actuarial Accrued Liability	354,692	348,983	262,849
Unfunded AAL	246,222	209,956	99,992
Funded Ratio	31%	40%	62%
Covered Payroll	183,144	172,410	176,927
UAAL as a Percentage of Covered Payroll	134%	122%	57%

**10. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2005, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**11. Contingencies**

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

The Village has also been assessed an amount due for over-collected tax revenues within the Downtown Development Authority. The Village does not agree with the assessment and the amount has not been recorded in these financial statements.

**12. Segment Information – Enterprise Funds**

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Funds, which are individual funds that account entirely for the government's water distribution and treatment and sewage disposal and treatment activities, are segments, and are reported as major funds in the fund financial statements, segment disclosures herein are not required.

## **Required Supplemental Information**

# **Village of Stockbridge**

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget to Actual  
General Fund and Major Special Revenue Funds  
Year Ended February 28, 2005

	General Fund			Major Street Fund			Local Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenues:</b>									
Taxes	\$ 241,500	\$ 253,212	\$ 249,038	\$ -	\$ -	\$ -	\$ 43,150	\$ 42,622	\$ 42,188
Licenses and permits	4,000	7,497	7,519	-	-	-	-	-	-
Intergovernmental	125,500	120,500	122,679	50,000	54,000	57,890	20,000	21,731	23,305
Charges for services	36,500	41,383	40,092	-	-	-	-	-	-
Other	78,451	86,315	82,966	800	934	633	1,650	33,429	32,509
Total revenues	485,951	508,907	502,294	50,800	54,934	58,523	64,800	97,782	98,002
<b>Expenditures:</b>									
Current operations:									
Legislative	71,402	71,402	72,363	-	-	-	-	-	-
General government	185,503	195,316	183,232	-	-	-	-	-	-
Public safety	146,740	149,449	69,747	-	-	-	-	-	-
Public works	55,552	52,446	53,674	50,800	51,766	34,538	64,800	107,861	107,165
Culture and recreation	10,880	10,239	9,321	-	-	-	-	-	-
Other	15,874	30,055	43,326	-	-	-	-	-	-
Total expenditures	485,951	508,907	431,663	50,800	51,766	34,538	64,800	107,861	107,165
<b>Revenues Over (Under) Expenditures</b>	-	-	70,631	-	3,168	23,985	-	(10,079)	(9,163)
<b>Other Financing Sources (Uses):</b>									
Operating transfers in	-	-	-	-	-	5,630	-	-	7,470
Operating transfers out	-	-	(13,100)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(13,100)	-	-	5,630	-	-	7,470
<b>Net Changes in Fund Balances</b>	-	-	57,531	-	3,168	29,615	-	(10,079)	(1,693)
<b>Fund Balances - Beginning of Year</b>	161,309	161,309	161,309	101,760	101,760	101,760	29,987	29,987	29,987
<b>Fund Balances - End of Year</b>	\$ 161,309	\$ 161,309	\$ 218,840	\$ 101,760	\$ 104,928	\$ 131,375	\$ 29,987	\$ 19,908	\$ 28,294

## **Other Supplemental Information**

**Village of Stockbridge**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 28, 2005

	<b>Cemetery - Special Revenue Fund</b>	<b>1992 Debt Service Fund</b>	<b>Permanent Funds</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 11,003	\$ -	\$ 106,023	\$ 117,026
Total assets	<u>\$ 11,003</u>	<u>\$ -</u>	<u>\$ 106,023</u>	<u>\$ 117,026</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ 8,764	\$ -	\$ -	\$ 8,764
Deferred revenue	640	-	-	640
Total liabilities	<u>9,404</u>	<u>-</u>	<u>-</u>	<u>9,404</u>
Fund Balances:				
Reserved for perpetual care and endowment	-	-	106,023	106,023
Unreserved:				
Unreserved; undesignated	1,599	-	-	1,599
Total fund balances	<u>1,599</u>	<u>-</u>	<u>106,023</u>	<u>107,622</u>
Total liabilities and fund balances	<u>\$ 11,003</u>	<u>\$ -</u>	<u>\$ 106,023</u>	<u>\$ 117,026</u>



**Village of Stockbridge**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended February 28, 2005

	<b>Cemetery - Special Revenue Fund</b>	<b>1992 Debt Service Fund</b>	<b>Permanent Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Charges for services	\$ 26,029	\$ -	\$ 3,550	\$ 29,579
Other	<u>205</u>	<u>-</u>	<u>5,599</u>	<u>5,804</u>
Total revenues	<u>26,234</u>	<u>-</u>	<u>9,149</u>	<u>35,383</u>
<b>Expenditures:</b>				
General government	35,252	-	-	35,252
Debt service:				
Principal payments	-	20,000	-	20,000
Interest and fiscal charges	-	13,578	-	13,578
Capital outlay	<u>-</u>	<u>542</u>	<u>-</u>	<u>542</u>
Total expenditures	<u>35,252</u>	<u>34,120</u>	<u>-</u>	<u>69,372</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(9,018)</u>	<u>(34,120)</u>	<u>9,149</u>	<u>(33,989)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	4,787	34,120	-	38,907
Operating transfers out	<u>-</u>	<u>-</u>	<u>(4,787)</u>	<u>(4,787)</u>
Total other financing sources (uses)	<u>4,787</u>	<u>34,120</u>	<u>(4,787)</u>	<u>34,120</u>
<b>Changes in Fund Balances</b>	<u>(4,231)</u>	<u>-</u>	<u>4,362</u>	<u>131</u>
<b>Fund Balances - Beginning of Year</b>	<u>5,830</u>	<u>-</u>	<u>101,661</u>	<u>107,491</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,599</u>	<u>\$ -</u>	<u>\$ 106,023</u>	<u>\$ 107,622</u>

**Village of Stockbridge**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
Major Street Fund  
Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
State grants	\$ 54,000	\$ 57,890	\$ 3,890
Interest and rentals	934	633	(301)
Total revenues	<u>54,934</u>	<u>58,523</u>	<u>3,589</u>
<b>Expenditures:</b>			
Highways and streets:			
Maintenance	21,885	11,270	10,615
Traffic services	2,632	1,632	1,000
Snow and ice control	11,150	8,335	2,815
Storm sewer	3,732	1,886	1,846
Administration	12,367	11,415	952
Total expenditures	<u>51,766</u>	<u>34,538</u>	<u>17,228</u>
<b>Revenues Over (Under) Expenditures</b>	<u>3,168</u>	<u>23,985</u>	<u>20,817</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	-	5,630	5,630
Total other financing sources (uses)	<u>-</u>	<u>5,630</u>	<u>5,630</u>
<b>Net Changes in Fund Balances</b>	<u>3,168</u>	<u>29,615</u>	<u>26,447</u>
<b>Fund Balances - Beginning of Year</b>	<u>101,760</u>	<u>101,760</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 104,928</u>	<u>\$ 131,375</u>	<u>\$ 26,447</u>

**Village of Stockbridge**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Local Street Fund  
Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 42,622	\$ 42,188	\$ (434)
State grants	21,731	23,305	1,574
Interest and rentals	1,650	730	(920)
Other	<u>31,779</u>	<u>31,779</u>	<u>-</u>
Total revenues	<u>97,782</u>	<u>98,002</u>	<u>220</u>
<b>Expenditures:</b>			
Highways and streets:			
Maintenance	11,564	11,031	533
Construction	71,931	71,931	-
Traffic services	4,542	6,257	(1,715)
Snow and ice control	6,700	6,720	(20)
Storm sewer	2,583	1,427	1,156
Administration	<u>10,541</u>	<u>9,799</u>	<u>742</u>
Total expenditures	<u>107,861</u>	<u>107,165</u>	<u>696</u>
<b>Revenues Over</b>			
<b>(Under) Expenditures</b>	<u>(10,079)</u>	<u>(9,163)</u>	<u>916</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	<u>-</u>	<u>7,470</u>	<u>7,470</u>
Total other financing sources (uses)	<u>-</u>	<u>7,470</u>	<u>7,470</u>
<b>Net Changes in Fund Balances</b>	<u>(10,079)</u>	<u>(1,693)</u>	<u>8,386</u>
<b>Fund Balances - Beginning of Year</b>	<u>29,987</u>	<u>29,987</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 19,908</u>	<u>\$ 28,294</u>	<u>\$ 8,386</u>

**Village of Stockbridge**  
Combining Balance Sheet  
Nonmajor Permanent Funds  
February 28, 2005

	<b>Cemetery Flower Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 9,409	\$ 96,614	\$ 106,023
Total assets	<u>\$ 9,409</u>	<u>\$ 96,614</u>	<u>\$ 106,023</u>
<b><u>Fund Balances</u></b>			
Fund Balances:			
Reserved for perpetual care and endowment	<u>9,409</u>	<u>96,614</u>	<u>106,023</u>
Total fund balances	<u>9,409</u>	<u>96,614</u>	<u>106,023</u>
 Total liabilities and fund balances	 <u>\$ 9,409</u>	 <u>\$ 96,614</u>	 <u>\$ 106,023</u>

**Village of Stockbridge**  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Permanent Funds  
Year Ended February 28, 2005

	<b>Cemetery Flower Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Fees	\$ -	\$ 3,550	\$ 3,550
Other	204	5,395	5,599
Total revenues	204	8,945	9,149
<b>Other Financing Uses:</b>			
Operating transfers out	-	(4,787)	(4,787)
<b>Changes in Fund Balances</b>	204	4,158	4,362
<b>Fund Balances - Beginning of Year</b>	9,205	92,456	101,661
<b>Fund Balances - End of Year</b>	\$ 9,409	\$ 96,614	\$ 106,023

**Village of Stockbridge**  
**Statement of Revenues -**  
**Budget to Actual**  
**General Fund**  
(With Comparative Amounts from the Prior Year)  
Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2004</u>
<b>Revenues:</b>				
Taxes and penalties:				
Property taxes	\$ 251,712	\$ 248,802	\$ (2,910)	\$ 234,687
Penalties and interest on taxes	<u>1,500</u>	<u>236</u>	<u>(1,264)</u>	<u>119</u>
Total taxes and penalties	<u>253,212</u>	<u>249,038</u>	<u>(4,174)</u>	<u>234,806</u>
Licenses and permits:				
Business permits	2,696	2,720	24	2,375
Nonbusiness permits	2,235	2,234	(1)	1,793
Zoning and map review	<u>2,566</u>	<u>2,565</u>	<u>(1)</u>	<u>2,023</u>
Total licenses and permits	<u>7,497</u>	<u>7,519</u>	<u>22</u>	<u>6,191</u>
State grants:				
Sales tax revenue sharing	119,000	122,528	3,528	125,941
Liquor tax	<u>1,500</u>	<u>151</u>	<u>(1,349)</u>	<u>1,395</u>
Total state grants	<u>120,500</u>	<u>122,679</u>	<u>2,179</u>	<u>127,336</u>
Charges for services:				
Refuse collection	37,900	36,609	(1,291)	35,534
Property tax administration fee	<u>3,483</u>	<u>3,483</u>	<u>-</u>	<u>3,502</u>
Total charges for services	<u>41,383</u>	<u>40,092</u>	<u>(1,291)</u>	<u>39,036</u>
Interest and rentals:				
Interest	4,100	3,884	(216)	676
Rentals	<u>16,738</u>	<u>15,039</u>	<u>(1,699)</u>	<u>15,342</u>
Total interest and rentals	<u>20,838</u>	<u>18,923</u>	<u>(1,915)</u>	<u>16,018</u>
Other revenue:				
Miscellaneous	<u>65,477</u>	<u>64,043</u>	<u>(1,434)</u>	<u>57,640</u>
Total revenues	<u>\$ 508,907</u>	<u>\$ 502,294</u>	<u>\$ (6,613)</u>	<u>\$ 481,027</u>

**Village of Stockbridge**  
**Statement of Expenditures -**  
**Budget to Actual**  
**General Fund**  
(With Comparative Amounts from the Prior Year)  
Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2004</u>
<b>Expenditures:</b>				
Legislative				
Village council	\$ 71,402	\$ 72,363	\$ (961)	\$ 40,518
General government				
President	1,993	1,992	1	2,615
Manager	60,085	62,499	(2,414)	47,987
Clerk	12,765	12,957	(192)	8,393
External audit	1,501	1,501	-	1,500
Treasurer	10,608	10,851	(243)	8,008
Elections	1,817	1,007	810	1,007
Building and grounds	104,187	90,112	14,075	82,904
Other	2,360	2,313	47	5,391
Total general government	<u>195,316</u>	<u>183,232</u>	<u>12,084</u>	<u>157,805</u>
Public safety				
Police	143,792	64,090	79,702	130,299
Building inspection	5,657	5,657	-	4,639
Total public safety	<u>149,449</u>	<u>69,747</u>	<u>79,702</u>	<u>134,938</u>
Public works				
Sidewalks	592	584	8	655
Street lighting	14,794	16,051	(1,257)	12,187
Refuse collection	37,060	37,039	21	35,824
Total public works	<u>52,446</u>	<u>53,674</u>	<u>(1,228)</u>	<u>48,666</u>
Recreation and culture				
Veterans memorial park	10,239	9,321	918	9,579
Other				
Fringe benefits and payroll taxes	30,055	43,326	(13,271)	47,633
Total expenditures	<u>\$ 508,907</u>	<u>\$ 431,663</u>	<u>\$ 77,244</u>	<u>\$ 439,139</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
General Obligation Bonds  
February 28, 2005

**Governmental - Limited Tax General Obligation  
Bond 1992**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/29/2004</u>	<u>2/28/2005</u>	<u>Interest Payable</u>
Augusts 1, 1992	\$ 350,000					
		6.164%	6/1/2004	\$ 20,000		
		6.180%	6/1/2005	20,000	\$ 20,000	\$ 12,372
		6.193%	6/1/2006	20,000	20,000	11,158
		6.204%	6/1/2007	25,000	25,000	9,778
		6.214%	6/1/2008	25,000	25,000	8,241
		6.227%	6/1/2019	25,000	25,000	6,698
		6.234%	6/1/2010	30,000	30,000	4,993
		6.250%	6/1/2011	30,000	30,000	3,125
		6.250%	6/1/2012	35,000	35,000	1,093
				<u>\$ 230,000</u>	<u>\$ 210,000</u>	<u>\$ 57,458</u>



**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Water Fund  
February 28, 2005

**Water Supply and Distribution System Revenue Bond  
Series 1990**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/29/2004</u>	<u>2/28/2005</u>	<u>Interest Payable</u>
June 28, 1990	\$ 250,000					
		7.050%	5/1/2004	\$ 25,000		
		7.050%	5/1/2005	25,000	25,000	881
				<u>\$ 50,000</u>	<u>\$ 25,000</u>	<u>\$ 881</u>

**Water Supply and Distribution System Revenue Refunding Bond  
Series 1989**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/29/2004</u>	<u>2/28/2005</u>	<u>Interest Payable</u>
March 23, 1989	\$ 230,000					
		7.500%	11/1/2004	\$ 10,000		
		7.500%	11/1/2005	10,000	\$ 10,000	\$ 6,394
		7.500%	11/1/2006	10,000	10,000	5,642
		7.500%	11/1/2007	10,000	10,000	4,893
		7.500%	11/1/2008	10,000	10,000	4,143
		7.500%	11/1/2009	10,000	10,000	3,393
		7.550%	11/1/2010	10,000	10,000	2,642
		7.550%	11/1/2011	10,000	10,000	1,888
		7.550%	11/1/2012	10,000	10,000	1,133
		7.550%	11/1/2013	5,000	5,000	378
				<u>\$ 95,000</u>	<u>\$ 85,000</u>	<u>\$ 30,506</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Sewer Fund  
February 28, 2005

**Sanitary Sewage Collection and Treatment System Revenue Refunding Bond  
Series 1989**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/29/2004</u>	<u>2/28/2005</u>	<u>Interest Payable</u>
March 23, 1989	\$ 315,000					
		7.500%	11/1/2004	\$ 25,000		
		7.500%	11/1/2005	20,000	\$ 20,000	\$ 6,375
		7.500%	11/1/2006	25,000	25,000	4,875
		7.500%	11/1/2007	20,000	20,000	3,000
		7.500%	11/1/2008	20,000	20,000	1,500
				<u>\$ 110,000</u>	<u>\$ 85,000</u>	<u>\$ 15,750</u>



May 1, 2005

Members of Village Council  
Village of Stockbridge  
Ingham County, Michigan

We have audited the financial statements of the Village of Stockbridge for the year ended February 28, 2005, and have issued our report thereon dated May 1, 2005. In planning and performing our audit of the general purpose financial statements of the Village, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control.

The Management of the Village of Stockbridge is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Council with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Council's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the Village taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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**WILLIS & JURASEK, P.C.**

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Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. The Village adopted the requirements of GASB 34 during the year ended February 28, 2005. No other new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. An estimate of fixed assets was done for the year ended February 28, 2005, based on historical information and calculations for infrastructure. This was used to establish your beginning fixed assets that are recorded in the Statement of Net Assets. There were no other material estimates recorded in the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

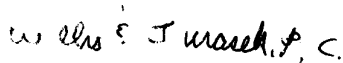
Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Village and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Sincerely,



Willis & Jurasek, P.C.

## Village of Stockbridge Comments and Recommendations

### Audit Adjustments

While improvements have been made in this area, we still had to make a fairly large amount of journal entries at year end. We would recommend that prior to year end closing that the balance sheet items be analyzed and adjustments made prior to the audit. We still made some entries for reversing amounts from last year, such as accounts receivable, accounts payable, accrued payroll, etc. and for recording the current year amounts for those items.

### Capitalization Policy

We still recommend you adopt a capitalization policy that sets a minimum amount for an item to be capitalized. A common threshold would be \$1,000. Your fixed asset schedule will get very cumbersome with the small amounts now being recorded. The Village should also review the fixed asset listing annually to ensure old items disposed of are no longer recorded in your schedules. We would also recommend you set up new accounts within your general ledger, one for depreciable fixed assets and one for non-depreciable fixed assets. This would allow easy monitoring and updating of your schedules.

### Budget

Public Act 621 requires budget amendments prior to actual expenditures being made if expenditures exceed budgeted amounts. During the year, the Village had certain actual amounts that exceeded the budget at year-end. While the amounts were minor in nature, procedures should be put in place to amend the budget as needed during the year when expenditures exceed the budget. This may require budget amendments to be made periodically during the fiscal year.